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Message Text

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PAGE 01 KUALA 02081 180905Z

12
ACTION EB-07

INFO OCT-01 EA-06 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

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R 180755Z APR 75
FM AMEMBASSY KUALA LUMPUR
TO SECSTATE WASHDC 9602
INFO AMEMBSSY SINGAPORE

C O N F I D E N T I A L KUALA LUMPUR 2081

E.O. 11652: GDS
TAGS: EINV, MY
SUBJ: MALAYSIAN BUSINESS REACTION TO INDUSTRIAL COORDINATION ACT

REF: K.L. 2006

1. COMATT MET APRIL 16 WITH YAP WING CHIN,
ACTING EXECUTIVE DIRECT, FEDERATION OF MALAYSIAN
MANUFACTURERS (FMM) TO DISCUSS INDUSTRIAL COORDINATION
ACT. FMM REPRESENTS WIDE SPECTRUM OF MALAYSIAN
INDUSTRY WITH MEMBERSHIP, AS WOULD BE EXPECTED,
DOMINATED BY CHINESE ENTREPRENEUERS.

2. YAP CATEGORIZED GOM ACTION IN RUSHING BILL
THROUGH WITHOUT PRIOR CONSULTATIONS WITH PRIVATE
SECTOR AS "AN OUTRAGE". HE FELT THIS WAS YET ONE
MORE INDICATION THAT PRESENT CABINET, DESPITE PUBLIC
PRONOUNCEMENTS TO CONTRARY, NEITHER RESPECTS NOR
UNDERSTANDS LEGITIMATE INTERESTS OF PRIVATE SECTOR.
FMM HAS WRITTEN SHARPLY WORDED LETTER TO MINISTER OF TRADE
AND INDUSTRY, DATUK HAMZEH BIN DATUK ABU SAMAD,
STRONGLY URGING THAT FEDERATION BE CONSULTED DURING
CRUCIAL STAGE OF DRAWING UP IMPLEMENTING REGULATIONS
FOR ACT. FMM ALSO INTENDS TO ISSUE PUBLIC STATEMENT
INDICATING PROBLEMS INHERENT IN ACT. ORGANIZATION
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PAGE 02 KUALA 02081 180905Z

PLANS ON TRYING TO SEE TUN RAZAK ON RETURN FROM

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006

HIS FOREIGN TRAVELS.

3. YAP STATED THAT MANY MEMBERS CONCERNED THAT GOM WILL USE AUTHORITY GRANTED UNDER ACT TO FORCE COMPANIES WITH PROFITABLE PRODUCTION LINES TO DIVEST THEMSELVES THEMSELVES OF THESE OPERATIONS IN FAVOR OF BUMIPUTRA COMPANIES. POSSIBILITIES FOR INCREASE OF GRAFT AND FURTHER SLOWDOWN OF ALREADY CUMBERSOME GOVERNMENT APPARATUS DEALING WITH INDUSTRY ALSO OF CONCERN TO FMM MEMBERS.

4. YAP DID STATE THAT WITH PRESENT SETUP, IF COMPANY WILLING TO FOREGO ALL INVESTMENT INCENTIVES, IT THEORETICALLY COULD AVOID COMPLIANCE WITH GOM GUIDELINES ON BUMIPUTRA PARTICIPATION IN INDUSTRY. HE ARGUED, HOWEVER, THAT RELATIVELY MINOR CHANGES IN EXISTING INVESTMENT LEGISLATION COULD CLOSE THESE LOOPHOLES. INSTEAD GOM WILL NOW HAVE TO SET UP YET ONE MORE BUREAUCRATIC BODY THAT WILL INVOLVE ITSELF IN FIRMS' OPERATIONS.

5. YAP CHARACTERIZED PRESENT MTI MINISTER AS A "DISASTER" FOR MALAYSIAN BUSINESS. HE CANDIDLY STATED THAT CHINESE COMMUNITY HAD FELT THAT HAMZAH, WHILE NOT PARTICULARLY BRIGHT OR EXPERIENCED IN BUSINESS OR DECISIVE, COULD BE INFLUENCED TO TAKE CAUTIOUS POLICY COURSE WITH REGARD TO PRIVATE SECTOR. INSTEAD, ACCORDING TO YAP, HAMZAH HAS TURNED POLICY REINS LOOSE TO CIVIL SERVANTS IN MTI. THIS MINISTRY HAS BEEN PARTICULARLY HARD HIT OVER LAST YEAR WITH DEPARTURE OF LARGE NUMBER OF EXPERIENCED SENIOR AND MIDDLE LEVEL OFFICERS WHO HAVE ACCEPTED LUCRATIVE POSTS WITH PRIVATE COMPANIES. AS RESULT, MANY IMPORTANT DECISIONS EFFECTING BOTH FOREIGN AND DOMESTIC FIRMS BEING TAKEN BY YOUNG, INEXPERIENCED AND MILDLY RADICAL MALAY CIVIL SERVANTS.

6. YAP STRONGLY BELIEVES THAT HAMZAH WILL BE DROPPED AS MTI MINISTER FOLLOWING JUNE UMNO ELECTIONS. HE FEELS HAMZAH IS BECOMING EMBARRASSMENT TO RAZAK
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PAGE 03 KUALA 02081 180905Z

AND WILL BE GIVEN DIFFERENT POST. HE ALSO PREDICTED THAT MTI WILL BE SPLIT INTO TWO MINISTRIES - ONE DEALING WITH FOREIGN SECTOR AND OTHER WITH MALAYSIAN INDUSTRY.

7. COMMENT: EMBASSY BELIEVES SHOCK WAVES CAUSED BY GOM HANDLING OF INDUSTRIAL COORDINATION ACT ALMOST AS SEVERE ON MALAYSIAN BUSINESS COMMUNITY

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006

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AS PETRONAS AMENDMENT HAS BEEN ON FOREIGN FIRMS.
SAME TYPE OF REACTIONS EVIDENT: LOSS OF FAITH
IN GOVERNMENT'S DESIRE TO PROMOTE PRIVATE SECTOR;
FEAR AT SEEMING CAPRICIOUSNESS OF GOM POLICY
DECISIONS; AND BELIEF THAT ONLY POLITICAL FACTORS
COUNT ANY LONGER. ALL THIS LEADS TO SENSE OF
FRUSTRATION ON PART OF MANY CHINESE BUSINESSMEN.
THEY RECOGNIZE NEITHER MALAYSIAN CHINESE ASSOCIATION
(MCA) NOR OTHER CHINESE BASED PARTIES IN NATIONAL
FRONT ABLE TO ADEQUATELY PROTECT THEIR INTERESTS
AND THEY DON'T BELIEVE IT POSSIBLE TO REFORM
PARTIES TO PLAY THIS ROLE. AS A RESULT, MANY
CHINESE BUSINESSMEN DEVELOPING FEELINGS OF HOPELESSNESS
AND DESIRE TO BUY PEACE WITH GOVERNMENT ON INDIVIDUAL
BASIS.
UNDERHILL

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Margaret P. Grafeld
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